Essentials of

Services Marketing

3rd Edition

13 Complaint Handling AND SERVICE RECOVERY

Learning Objectives

13.1 Recognize the actions that customers may take in response to service failures.

13.2 Understand why customers complain.

13.3 Know what customers expect from the firm when they complain.

13.4 Understand how customers respond to effective service recovery.

13.5 Explain the service recovery paradox.

13.6 Know the principles of effective service recovery systems.

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Learning Objectives

13.7 Be familiar with the guidelines for front-line employees on how to handle complaining customers and recover from a service failure.

13.8 Recognize the power of service guarantees.

13.9 Understand how to design effective service guarantees.

13.10 Know when firms should not offer service guarantees.

13.11 Be familiar with the seven groups of jaycustomers and understand how to

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Complaint Handling and Service Recovery

13.1

Recognize the actions that customers may take in response to service failures.

How customers respond to service failures

COMPLAINT HANDLING AND SERVICE RECOVERY

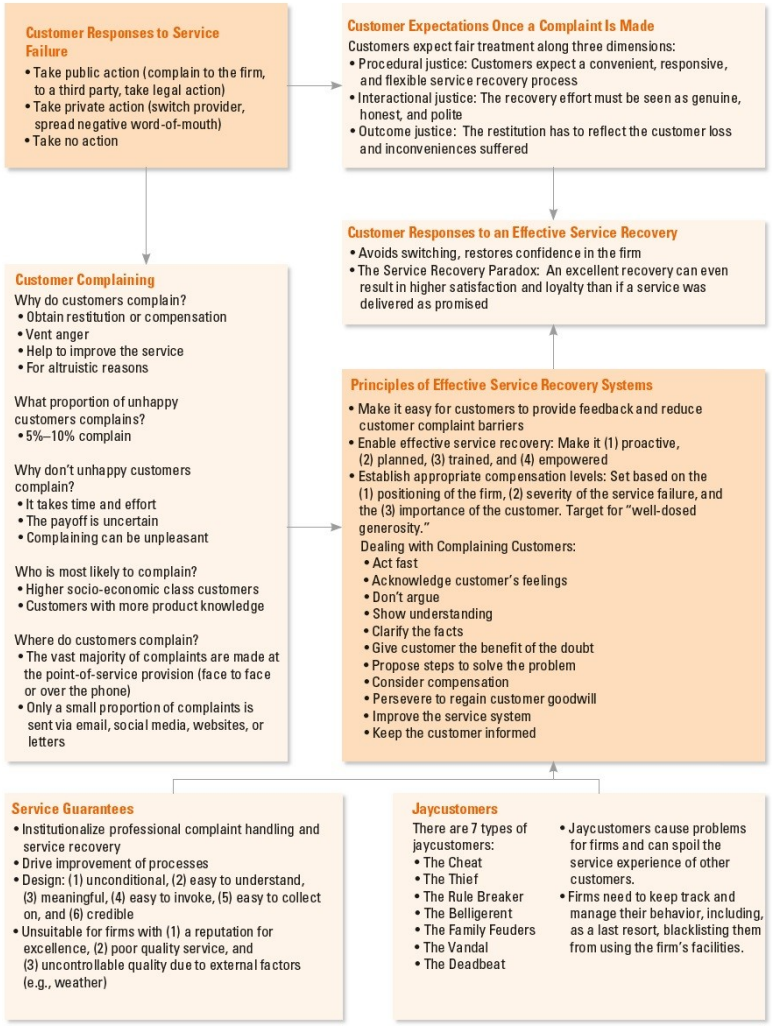
Customer Responses to Service Failure
• Take public action (complain to the firm, to a third party, take legal action)
• Take private action (switch provider, spread negative word-of-mouth)
• Take no action
Customer Expectations Once a Complaint Is Made
Customers expect fair treatment along three dimensions:
• Procedural justice: Customers expect a convenient, responsive, and flexible service recovery process
• Interactional justice: The recovery effort must be seen as genuine, honest, and polite
• Outcome justice: The restitution has to reflect the customer loss and inconveniences suffered
Customer Responses to an Effective Service Recovery
• Avoids switching, restores confidence in the firm
• The Service Recovery Paradox: An excellent recovery can even result in higher satisfaction and loyalty than if a service was delivered as promised
Customer Complaining
Why do customers complain?
• Obtain restitution or compensation
• Vent anger
• Help to improve the service
• For altruistic reasons
What proportion of unhappy customers complains?
• 5%–10% complain
Why don't unhappy customers complain?
• It takes time and effort
• The payoff is uncertain
• Complaining can be unpleasant
Who is most likely to complain?
• Higher socio-economic class customers
• Customers with more product knowledge
Where do customers complain?
• The vast majority of complaints are made at the point-of-service provision (face to face or over the phone)
• Only a small proportion of complaints is sent via email, social media, websites, or letters
Principles of Effective Service Recovery Systems
• Make it easy for customers to provide feedback and reduce customer complaint barriers
• Enable effective service recovery: Make it (1) proactive, (2) planned, (3) trained, and (4) empowered
• Establish appropriate compensation levels: Set based on the (1) positioning of the firm, (2) severity of the service failure, and the (3) importance of the customer. Target for "well-dosed generosity."
Dealing with Complaining Customers:
• Act fast
• Acknowledge customer's feelings
• Don't argue
• Show understanding
• Clarify the facts
• Give customer the benefit of the doubt
• Propose steps to solve the problem
• Consider compensation
• Persevere to regain customer goodwill
• Improve the service system
• Keep the customer informed
Service Guarantees
• Institutionalize professional complaint handling and service recovery
• Drive improvement of processes
• Design: (1) unconditional, (2) easy to understand, (3) meaningful, (4) easy to invoke, (5) easy to collect on, and (6) credible
• Unsuitable for firms with (1) a reputation for excellence, (2) poor quality service, and (3) uncontrollable quality due to external factors (e.g., weather)
Jaycustomers
There are 7 types of jaycustomers:
• The Cheat
• The Thief
• The Rule Breaker
• The Belligerent
• The Family Feuders
• The Vandal
• The Deadbeat
• Jaycustomers cause problems for firms and can spoil the service experience of other customers.
• Firms need to keep track and manage their behavior, including, as a last resort, blacklisting them from using the firm's facilities.

Figure 13.3 Organizing framework for managing complaints and service recovery.

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How customers respond to service failures

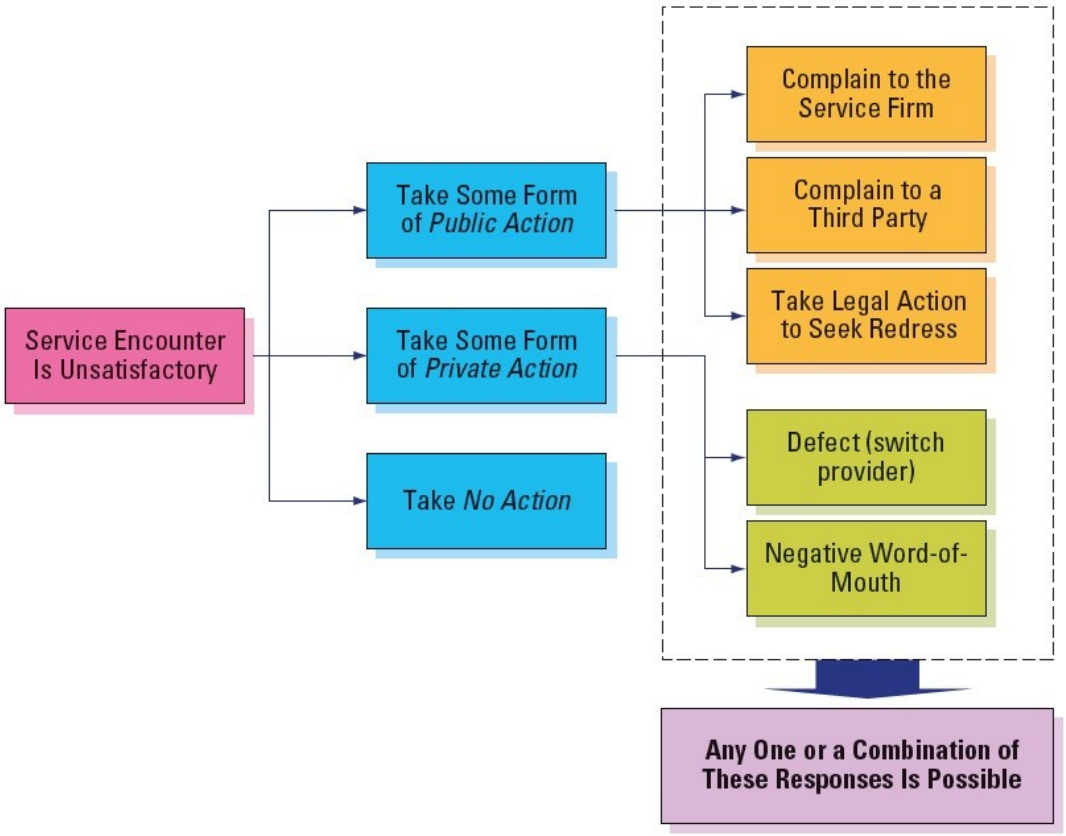
Service Encounter Is Unsatisfactory
Take Some Form of *Public Action*
Take Some Form of *Private Action*
Take *No Action*
Complain to the Service Firm
Complain to a Third Party
Take Legal Action to Seek Redress
Defect (switch provider)
Negative Word-of-Mouth
Any One or a Combination of These Responses Is Possible

Figure 13.4 Customer response categories to service failures.

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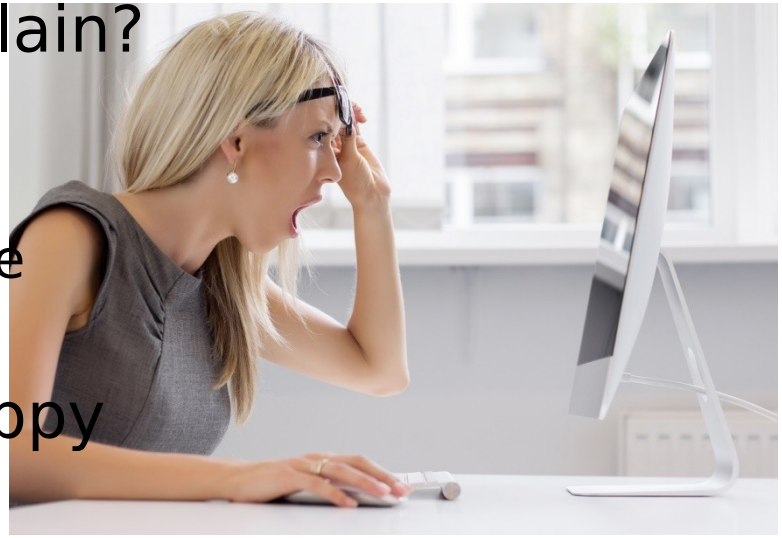
13.2

Understand why customers complain.

Understand why customers complain

- Why do customers complain?
  - Obtain compensation
  - Release their anger
  - Help to improve the service
  - Out of concern for others
- What proportion of unhappy customers complain?
- Why don’t unhappy customers complain?
- Who is most likely to complain?
- Where do customers complain?
- What do customers expect once they have made a complaint?
  - Procedural, interactional, and outcome justice



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13.3

Know what customers expect from the firm when they complain.

What customers expect when they complain

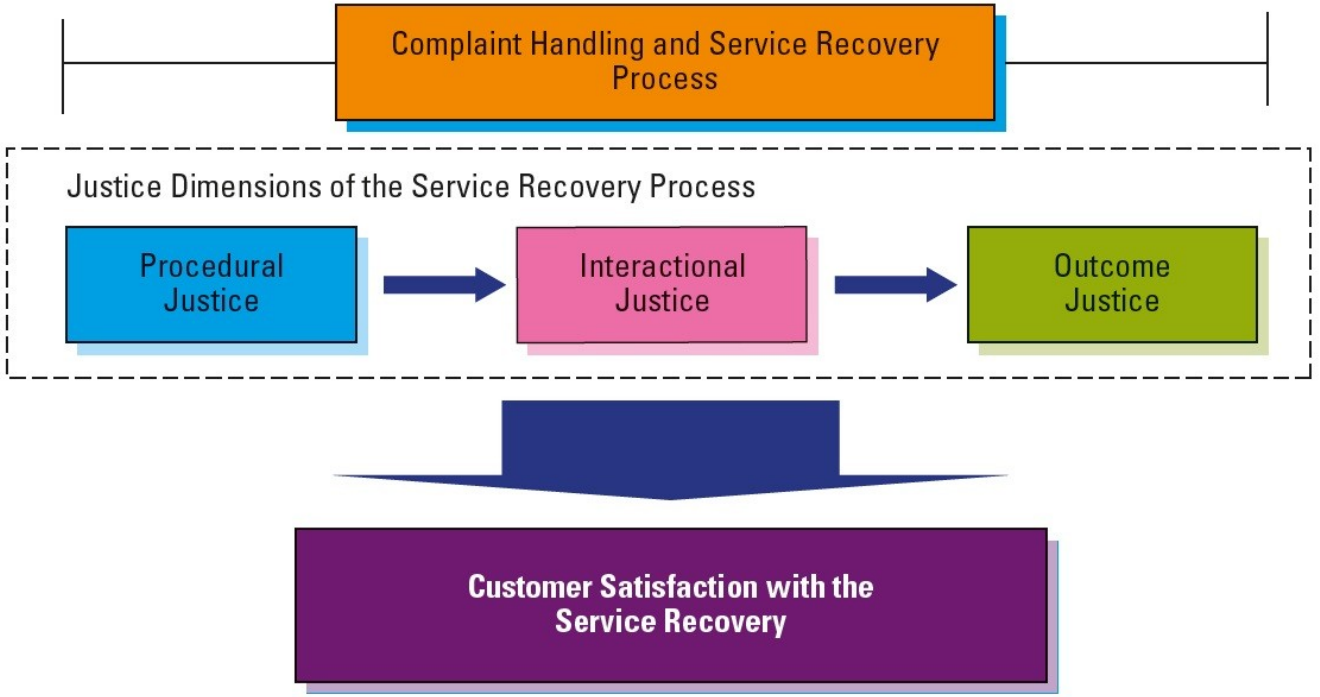
Complaint Handling and Service Recovery Process
Justice Dimensions of the Service Recovery Process
Procedural Justice
Interactional Justice
Outcome Justice
Customer Satisfaction with the Service Recovery

Figure 13.7 Three dimensions of perceived fairness in service recovery processes.

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13.4

Understand how customers respond to effective service recovery.

How customers respond to effective service recovery

- Plays a crucial role in achieving customer satisfaction
- Tests a firm's commitment to satisfaction and service quality
  - Confidence benefits
- Impacts customer loyalty and future profitability
  - Complaint handling should be seen as a profit center, not a cost center

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13.5

Explain the service recovery paradox.

The service recovery paradox

- Customers who experience a service failure that is satisfactorily resolved may be more likely to make future purchases than customers without problems (Note: not all research supports this paradox)
- If second service failure occurs, the paradox disappears—customers' expectations have been raised and they become disillusioned
- Severity and "recoverability" of failure (e.g., spoiled wedding photos) may limit firm's ability to delight customer with

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13.6

Know the principles of effective service recovery systems.

The principles of effective service recovery systems

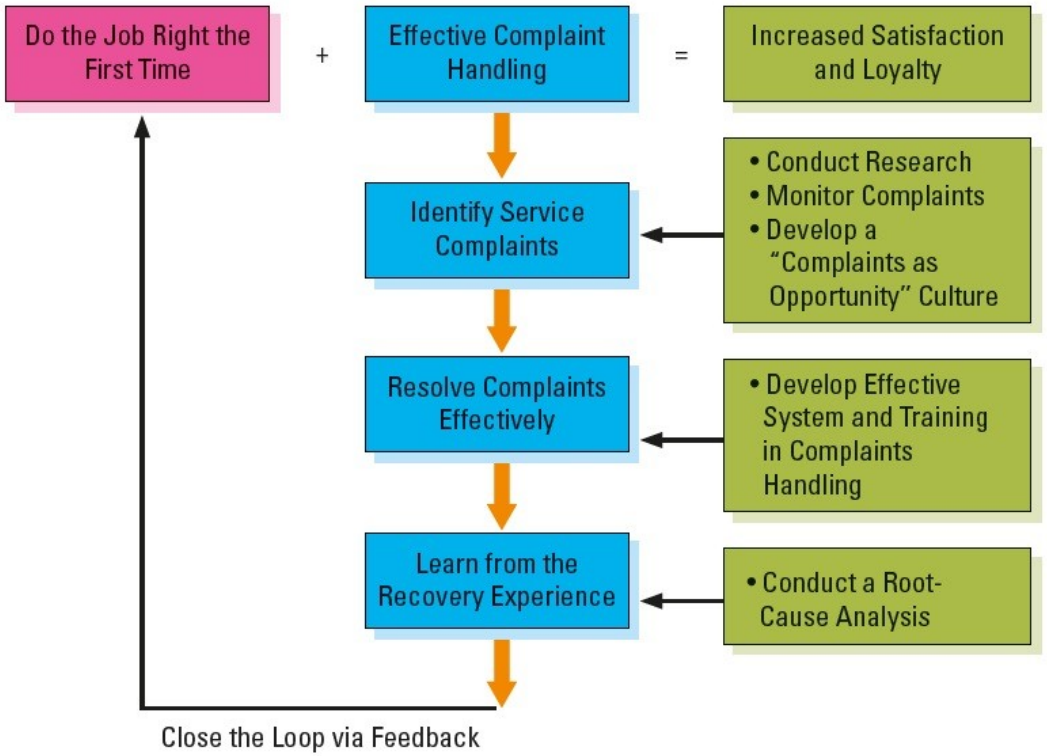
Do the Job Right the First Time
+
Effective Complaint Handling
=
Increased Satisfaction and Loyalty
Identify Service Complaints
• Conduct Research
• Monitor Complaints
• Develop a "Complaints as Opportunity" Culture
Resolve Complaints Effectively
• Develop Effective System and Training in Complaints Handling
Learn from the Recovery Experience
• Conduct a Root-Cause Analysis
Close the Loop via Feedback

Figure 13.8 Components of an effective service recovery system.

SOURCE

From Christopher Lovelock, Paul Patterson, and Jochen Wirtz, "Services Marketing: An Asia-Pacific and Australian Perspective." 6th ed, Pearson Australia, 2015.

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The principles of effective service recovery systems

Strategies to Reduce Customer Complaint Barriers

Complaint Barriers for Dissatisfied Customers	Strategies to Reduce These Barriers
Inconvenience • Difficult to find the right complaint procedure • Effort, e.g., writing and mailing a letter	Make feedback easy and convenient: • Put customer service hotline numbers, e-mail the website and/or postal addresses on all customer communications materials (letters, bills, brochures, website, phone book, yellow pages listings, etc.)
Doubtful payoff • Uncertain whether any or what action will be taken by the firm to address the issue the customer is unhappy with	Reassure customers that their feedback will be taken seriously and will pay off: • Have service recovery procedures in place and communicate this to customers, e.g., in customer newsletter and website. • Feature service improvements that resulted from customer feedback.
Unpleasantness • Fear of being treated rudely • Fear of being hassled • Feeling embarrassed	Make providing feedback a positive experience: • Thank customers for their feedback (can be done publicly and in general by addressing the entire customer base). • Train service employees not to hassle and to make customers feel comfortable. • Allow for anonymous feedback.

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The principles of effective service recovery systems

How to Enable Effective Service Recovery

- Be proactive
  - On the spot, before customers complain
- Plan recovery procedures
  - Identify most common service problems and have prepared scripts to guide employees in service recovery
- Teach recovery skills to relevant personnel
- Empower personnel to use judgment and skills to develop recovery solutions

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The principles of effective service recovery systems

How Generous Should Compensation Be?

- Rules of thumb for managers to consider
  - What is positioning of our firm?
  - How severe was the service failure?
  - Who is the affected customer?

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13.7

Be familiar with the guidelines for front-line employees on how to handle complaining customers and recover from a service failure.

Guidelines for the front line on handling complaining customers

COMPLAINT HANDLING AND SERVICE RECOVERY

- How to handle complaining customers and recover from a service failure
  - Time is of the essence to achieve a full recovery
  - Acknowledge the customer's feelings
  - Don't argue with customers
  - Show that you understand the problem from the customer's point of view
  - Clarify the facts and sort out the cause
  - Give customers the benefit of the doubt
  - Propose the steps needed to solve the problem
  - Keep customers informed of progress
  - Consider compensation
  - Persevere to regain customer goodwill
  - Self-check the service delivery system and improve it

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13.8

Recognize the power of service guarantees.

The power of service guarantees

- Force firms to focus on what customers want
- Set clear standards
- Require systems to get & act on customer feedback
- Force organizations to understand why they fail and to overcome potential fail points
- Reduc[illegible]d loyalty

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13.9

Understand how to design effective service guarantees.

Designing effective service guarantees

- Whatever is promised in the guarantee must be totally unconditional.
- The customer must be clearly aware of the benefits that can be gained from the guarantee.
- The guarantee must be on something that is important to the customer; the compensation should be more than adequate to cover the service failure.
- It should be easy for the customer to invoke the guarantee.
- If a service failure occurs, the customer should be able to easily collect on the guarantee.
- The guarantee should be believable.

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13.10

Know when firms should not offer service guarantees.

When firms should not offer service guarantees

- Companies that already have a strong reputation for service excellence may not need a guarantee.
- A firm whose service is poor must first work to improve quality to a level above what is guaranteed.
- Service firms whose quality is truly uncontrollable should not offer a guarantee.
- If consume ociated with a service, a e value.

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13.11

Be familiar with the seven groups of jaycustomers and understand how to manage them effectively.

The seven types of jaycustomers

Addressing the Challenge of Jaycustomers

- Jaycustomer: A customer who behaves in a thoughtless or abusive fashion, causing problems for the firm, its employees, and other customers
- More potential for mischief in service businesses, especially when many customers are present
- No organization wants an ongoing relationship with an abusive customer

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The seven types of jaycustomers

The Cheat and Thief

- The Cheat: thinks of vari way to cheat the firm
- The Thief: No intention o paying—sets out to steal pay less
  - Services lend themselves to clever schemes to avoid payment
    - e.g., bypassing electricity meters, circumventing TV cables, riding free on public transportation
  - Firms must take preventive actions against thieves, but make allowances for honest but absent-minded customers

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The seven types of jaycustomers

The Rulebreaker

- Many services need to establish rules to guide customers safely through the service encounter
- Government agencies may impose rules for health and safety reasons
- Some rules protect other customers from dangerous behavior
  - e.g., ski patrollers issue warnings to reckless skiers by attaching orange stickers on their lift tickets
- Ensure company rules are necessary, not should not be too much or inflexible

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The seven types of jaycustomers

The Belligerent

- Shouts loudly, maybe mouthing insults, threats and curses
- Service personnel are often abused even when they are not to be blamed
- Confrontations between customers and service employees can easily escalate
- Firms should ensure employees have sk[illegible] difficult situations
  - In a public environment, priority is to re[illegible] person from other customers
  - May be better to support employee's ac[illegible] and get security or the police if necessa[illegible] an employee has been physically attack[illegible]

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The seven types of jaycustomers

Family Feuders And Vandals

- Family Feuders: People who get into arguments with other customers — often members of their own family
- The Vandal:
  - Service vandalism includes pouring soft drinks into bank cash machines; slashing bus seats, breaking hotel furniture
  - Bored and drunk young pe source of vandalism
  - Unhappy customers who fe mistreated by service prov take revenge
  - Prevention is the best cure

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The seven types of jaycustomers

The Deadbeat

- Customers who fail to pay (as distinct from "thieves" who never intended to pay in the first place)
  - Preventive action is better than cure--e.g., insisting on prepayment; asking for credit card number when order is taken
  - Customers may have good reasons for not paying
    - If the client's problems are only temporary ones, consider long-term value of maintaining the relationship

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The seven types of jaycustomers

Dealing with Customer Fraud (1)

- If in doubt, believe the customer
- Keep a database of how often customers invoke service guarantees or of payments made for service failure
- Insights from research on guarantee cheating
  - Amount of a guarantee payout had no effect on customer cheating
  - Repeat-purchase intention reduced cheating intent
  - Customers are reluctant to cheat if service quality is high (rather than just satisfactory)

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The seven types of jaycustomers

Dealing with Customer Fraud (2)

- Managerial implications
  - Firms can benefit from offering 100 percent money-back guarantees
  - Guarantees should be offered to regular customers as part of membership program since regular customers are unlikely to cheat
  - Excellent service firms have less to worry about than average providers

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Thank You.